

Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 STRE-00 CIAE-00
DODE-00 NSAE-00 NSCE-00 SSO-00 ICAE-00 INRE-00
SP-02 AID-05 EB-08 TRSE-00 SS-15 OMB-01 CEA-01
COME-00 FRB-03 INR-10 XMB-02 OPIC-03 LAB-04
SIL-01 AGRE-00 DOE-15 SOE-02 /115 W
-----014157 061108Z /11

O P 061051Z APR 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 4836
INFO AMEMBASSY BRUSSELS PRIORITY
AMEMBASSY COPENHAGEN PRIORITY
AMEMBASSY TOKYO PRIORITY
USMISSION GENEVA PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 05338

PASS STR ELECTRONICALLY

USMTN

USEEC

E.O. 11652: GDS
TAGS: ETRD, EEC, MTN
SUBJECT: STR STRAUSS VISIT TO LONDON

1. DURING HIS APRIL 4-6 VISIT TO LONDON, AMBASSADOR STRAUSS CALLED ON CHANCELLOR OF THE EXCHEQUER HEALEY AND TRADE SECRETARY DELL (BOTH OF WHOM HAD SENIOR ADVISERS ORESENT) AND ON JOHN GREENBOROUOH AND SIR JOHN METHVEN, THE HEADS OF THE CONFEDERATION OF BRITISH INDUSTRY. AMBASSADOR STRAUSS IN EACH CASE STRESSED THE URGENCY OF COMPLETION OF THE POLITICAL DECISIONS ON THE MTN BY JULY. HE NOTED THAT BRITISH SUPPORT IN ACHIEVING A RESULT THAT COULD RECEIVE THE SUMMIT'S
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STAMP OF APPROVAL IS CONSISTENT WITH THE DISCUSSIONS BETWEEN PRIME MINISTER CALLAGHAN AND PRESIDENT CARTER. HE URGED THE BRITISH, SPECIFICALLY, TO SUPPORT EC COMMISSIONER GUNDELACH IN THE LATTER'S EFFORTS TO DEVISE AQRICULTURE PROPOSALS THAT MIGHT BE ACCEPTABLE TO THE U.S. AMB. STRAUSS ALSO NOTED WITH REGRET THE ACTION OF THE EC COUNCIL OF MINISTERS IN ADDING TO THE

EC POSSIBLE WITHDRAWAL LIST AND SAID THAT AT THIS POINT THE PARTICIPANTS IN THE NEGOTIATIONS SHOULD BE CONCERNED TO INCREASE THEIR OFFERS, NOT REDUCE THEM. FINALLY, HE SAID EUROPEANS SHOULD BE AWARE THAT IF A SUBSTANTIVE PACKAGE CANNOT BE AGREED TO THIS YEAR HE WOULD PREFER TO WALK AWAY FROM THE BARGAINING TABLE WITHOUT AN AGREEMENT RATHER THAN A MINI-AGREEMENT. HE REALIZED THE NEGATIVE IMPACT THIS WOULD HAVE, BUT THIS IS AN IMPACT THE U.S. COULD MORE EASILY LIVE WITH THAN THE EC.

2. THE BRITISH SIDE ON THE ONE HAND EXPRESSED AGREEMENT WITH AMB. STRAUSS THAT FAILURE IN THE NEGOTIATIONS WOULD HAVE EXTREMELY UNDESIRABLE POLITICAL REPERCUSSION AND THAT IT MUST THEREFORE BE AVOIDED. ON THE OTHER HAND THEY ARE CONCERNED - AND EXPRESSED THEIR CONCERN AT GREAT LENGTH - OVER THE OVERALL WORLD ECONOMIC SITUATION. IN THIS CONNECTION, THEY CITED IN PARTICULAR THE FAILURE OF JAPAN TO MAKE WHAT THEY CONSIDER AN APPROPRIATE CONTRIBUTION TO WORLD ECONOMIC AND TRADE GROWTH.

3. THE BRITISH ALSO TENDED TO ZERO IN ON TWO ISSUES WHICH THEY REGARD AS SIGNIFICANT FOR THE U.S.: AGRICULTURE AND SUBSIDIES. THEY DID NOT QUESTION AMB. STRAUSS' CLEAR STATEMENT THAT THE NEGOTIATIONS WOULD BE CONFIDENTIAL

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NOT BE ACCEPTABLE IN THE U.S. WITHOUT SATISFACTORY RESULTS IN THESE TWO AREAS. ON AGRICULTURE, THEY EXPRESSED THE U.K.'S AGREEMENT WITH U.S. OBJECTIVES BUT NOTED BOTH THE LIMITATIONS OF THE UK IN INFLUENCING

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 05338

OVERALL EC DECISION MAKING IN THIS AREA, AND SECONDLY,
THEIR LACK OF CLARITY AS TO WHAT THE U.S. REALLY WANTS
AND NEEDS.

4. ON SUBSIDIES, THEY ALSO RECOGNIZED THE STRENGTH OF
THE U.S. COMMITMENT TO ACHIEVE RESULTS BUT EXPRESSED
PUZZLEMENT AS TO JUST HOW A SOLUTION COULD BE REACHED.

5. AMB. STRAUSS ACKNOWLEDGED THAT THE ECONOMIC SITUA-
TION IS LESS THAN PROPITIOUS BUT ARGUED THAT IF DECISIONS
IN THE TRADE NEGOTIATIONS ARE NOT TAKEN THIS YEAR, THEY
MAY NEVER BE POSSIBLE. IN ANY EVENT THE IMPLEMENTATION
OF THESE DECISIONS WILL BE FAR FROM INSTANTANEOUS BUT
RATHER STAGED OVER A 8-10 YEAR PERIOD. HE ALSO
ACKNOWLEDGED THE PROBLEM JAPAN'S ECONOMIC PERFORMANCE
CREATES BUT EXPRESSED BOTH A BELIEF IN THE COMMITMENT
OF FUKUDA AND USHIBA TO MEETING THEIR COMMITMENTS TO
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THE U.S., AND HIS OWN INTENTION TO TRY TO KEEP THEM UP
TO THE MARK. FINALLY, ON THE AGRICULTURAL ISSUE, HE
ACKNOWLEDGED THE DIFFICULTIES IN CONCEIVING A MUTUALLY
ACCEPTABLE AGREEMENT BUT ARGUED THAT BRITAIN COULD BEST
SERVE ITS AND THE WORLD'S BEST INTERESTS BY SUPPORTING
GUNDELACH'S EFFORTS TO DEVISE SUCH A SOLUTION.

6. ONLY ONE SPECIFIC ISSUE WAS RAISED. DELL SAID THAT
THE U.S. OFFER ON WOOL TEXTILES IS INADEQUATE, AND ALL
THE MORE REGRETTABLE BECAUSE THE BRITISH WOOL TEXTILE
INDUSTRY HAS BEEN ONE OF THE SUPPORTERS OF THE MTN. AMB.
STRAUSS RESPONDED THAT DESPITE THE POLITICAL AND ECONOMIC
PROBLEMS OF THE U.S. WOOL INDUSTRY, THE U.S. HAD MADE A
SIGNIFICANT OFFER. FURTHERMORE, IT SHOULD BE NOTED
THAT IN RECENT YEARS, WHILE U.S. WOOL APPAREL FABRIC

PRODUCTION DECLINED SUBSTANTIALLY, IMPORTS FROM THE
U.K. INCREASED VERY SUBSTANTIALLY.

BREWSTER

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